

**STATE OF MINNESOTA
DEPARTMENT OF COMMERCE**

Bulletin 98-2

Issued this 17th day of July, 1998

To: All Workers' Compensation Insurers Licensed in Minnesota

This bulletin contains the filing procedures and forms which should be utilized for all future workers' compensation rate filings made in Minnesota.

1. Filing Authorization Form

This form must be formally filed with the department, complete with transmittal forms and the appropriate filing fee, by September 1 of each year. If the department has not received an authorization form from a company by that date, the company will be required to file all bureau filings that it wishes to implement regardless of whether it's deviating from the bureau filing in any way or not. The language exempting adoption of bureau filings from the statutory filing requirements was deleted in the 1995 legislative revisions. Please note that the form that was utilized last year has been replaced by a revised edition. For information about this form please contact the Minnesota Workers' Compensation Insurers Association (MWCIA).

2. The following items must each be submitted as separate filings:

- a) schedule of rates;
- b) rate deviations;
- c) dividend plans;
- d) policy forms;
- e) endorsements; and
- f) retrospective rating plans.

3. Basic schedule of rates filings must contain the following items:

- a) The Workers' Compensation Rate Filing Form, a copy of which is attached, replaces the Schedule of Rates Filing Form and the Schedule of Rates Filing Summary;
- b) Five years loss and expense experience (If the company has not been writing workers' compensation coverage for five years, as much Minnesota experience as is available should be submitted. If five years of countrywide experience is available, that should be submitted as well.);

- c) an exhibit describing how the company's pure premium base rate multiplier was developed (A sample format is enclosed for your information.) The department does not require the format of the company's exhibit to be identical to the sample format, but the company's exhibit should not neglect any of the items included in the sample. For example, if the company chooses not to use trend or development factors, it should not simply leave out any mention of such factors: it should explain and support its choice. Please be aware that the Minnesota Adoption of Rate Service Organization Prospective Loss Costs Reference Filing Adoption Form is not suitable for use with workers' compensation rate filings.
- d) a Rate Change Impact Table (A sample format is attached.)
- e) a Class Deviation Filing Form listing any classification codes where a deviated multiplier is being utilized (A new form is attached.); and
- f) the Average Effective Multiplier Calculation form must be completed by any company that deviates its multiplier for one or more classes or that does not include a charge for the Special Compensation Fund (SCF) in its multiplier.
- g) final manual rate pages.

We also request that the company submit an extra copy of any materials it wants returned to it for acknowledgment of the department's approval. A stamped self-addressed envelope bearing appropriate postage for the materials the company wants returned must also be submitted. If no envelope is enclosed, or the amount of postage is inadequate, a stamped copy of the most recent cover letter is what will be returned.

DO NOT send copies of rate filings to the Minnesota Workers' Compensation Insurers Association (MWCIA), until approval has been received from this department. This assures that the MWCIA has a correct copy of your most recent rates on file.

4. The Special Compensation Fund assessment must be referenced in all rate filings. Please clearly indicate whether the company is including the assessment in its calculation of the pure premium base rate multiplier, or if it is added to the premium as a surcharge. If the assessment is being applied as a surcharge, the amount of that surcharge must be indicated as a specific item on the rate pages.

The Special Compensation Fund assessment must be included in the initial rate quote, and not recouped by an audit after the policy period has ended.

5. **Class Code Deviations** will need to be listed on the **Class Deviation Filing Form** which is included in this bulletin. Each deviation must be supported actuarially. There is no longer any limit on the number of class codes that may be deviated.
6. **Additional Credits** will be considered on a case-by-case basis, if the company can provide actuarial justification for the requested credit. Any such credit must be specific and objective to prevent its arbitrary use. The actuarial analysis must consider the credibility of the underlying supporting data and must adjust for the effect of all other rate modifications, such as experience rating. The company must separately monitor the experience of policies with and without credits in order to have a sound basis for setting future credits. Until such experience is available, the company may use informed judgment, but it should explain its judgment, and initial credits should be very modest unless compelling outside data is available.
7. **Schedule Rating Plans** may contain a maximum credit and/or debit of up to 40% without actuarial support. Any credit or debit greater than 40% requires convincing actuarial justification. Schedule rating credits and debits and their actuarial justification must satisfy the same criteria as discussed above for "additional credits", with the difference that the actuarial support for schedule rating must be experience based, not judgmental.
8. **Form Filings**
 - a) All independent forms (those not filed by the MWCLIA) must be filed with the department for approval prior to their use.
 - b) When filing a revision to a previously filed form, please include a copy of the previous version of the form to facilitate our review of the changes.
9. **Managed Care**
 - a) The department will accept a 5% credit for insurers who have contracted with a certified managed care organization (see Minn. Stat. 176.1351). A company can file a larger credit if it can provide adequate actuarial support. If the insurer is offering a managed care program, but has not contracted with a certified managed care organization, a credit may be offered if the company can provide actuarial support for the amount of the credit being requested.

- b) The department recommends, but does not require, that insurers attach an amendatory endorsement clarifying the type of managed care coverage that is being offered. Two sample endorsements are included in the bulletin, one for certified managed care organizations and one for uncertified managed care organizations.
10. **Large Deductible Plans:** Any company offering a large deductible plan must include a statement in its rating manual certifying that no deductible limit or excess retention will be offered or written, which exceeds the company's retention limit with the Workers' Compensation Reinsurance Association (WCRA).
11. **Minnesota Statute 79.56, Subd. 3:** This statute creates an exception from the normal filing requirements for an employer who generates \$500,000 in annual written workers' compensation premium under the rates and rating plan of an insurer before the application of any large deductible rating plans. Such an employer may be written by an insurer using rates or rating plans that are not subject to disapproval, but which have been filed with the department. The threshold is increased every January 1, by the percentage increase in the statewide average weekly wage to the nearest \$1,000. A notice will be sent to advise insurers licensed to write workers' compensation insurance in the state of Minnesota of the annual threshold adjustment. The threshold as of January 1, 1998, was \$562,000.

Questions regarding this bulletin should be referred to Mary Lou Houde, Commerce Analyst, (651) 296-8592 or Tammy Lohmann, Senior Commerce Analyst, (651) 296-2327.

A handwritten signature in black ink, appearing to read 'David B. Gruenes', written over a horizontal line.

DAVID B. GRUENES
Commissioner of Commerce

Minnesota

Workers' Compensation Rate Filing Form

Overall Effect of Rate Change _____
(As compared to the latest filed by your company with the Department of Commerce)

1. ☐ Effective _____ we place on file a schedule of rates based on the
* _____ Ratemaking Report pure premium base rates with a standard
factor of _____ % applied to all pure premium base rates.
 2. ☐ Effective _____ we place on file a schedule of rates based on the
* _____ Ratemaking report pure premium base rates with a standard
factor of _____ % applied to all pure premium base rates with deviations
for selected classes.
 - **3. ☐ Effective _____ we place on file a schedule of rates developed by
our company, based on company experience, with or without the use of the pure
premium base rates.
- * Fill in the year of the Ratemaking Report you are utilizing in developing the insurance
company's schedule of rates.
- ** If you "X" box 3, you must include a full explanation of the methodology used to develop
the schedule of rates filed, including a copy of base rates, adjustment percentages, and
any other information utilized in developing the filed schedule of rates.

CLASS DEVIATION FILING FORM

Insurer Name _____

Effective Date _____

Code No.	Classification Title	Current Rate	Proposed Pure Premium Multiplier	New Rate	Percent Rate Change	Prior Year Written Premium
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____	_____

Class Deviations shall apply to all insureds classified in codes for which a deviated rate has been filed.

Signature

Date

MINNESOTA WORKERS' COMPENSATION CERTIFIED MANAGED CARE PLAN ENDORSEMENT

The insurer has contracted with _____, a workers' compensation managed care plan certified by the Minnesota Department of Labor and Industry under Minn. Stat. section 176.1351. Under this contract medical treatment for your employees' work-related injuries will be delivered and managed according to the managed care plan as certified and applicable state law.

The certified managed care plan must provide medical case management by licensed health care professionals, to ensure appropriate medical care and promote a prompt return to work. The managed care plan must also provide a process for resolving medical disputes. This dispute resolution process must be exhausted before the medical dispute may be filed with the Minnesota Department of Labor and Industry.

Your employees are covered by certified managed care for work injuries that occur after they have been given specific information about their rights and responsibilities under the managed care plan. A covered employee may be required to receive treatment for a work injury from a health care provider who is part of the plan's provider network. There are exceptions to this requirement, such as in an emergency and in some cases where the employee has a history of treatment with another health care provider. The managed care plan will help you notify your employees of coverage and will explain these and other exceptions to managed care coverage.

MINNESOTA WORKERS' COMPENSATION UNCERTIFIED MANAGED CARE ENDORSEMENT

The insurer has contracted with _____, a health care provider network, to provide health care services for employees with work-related injuries. [*If applicable*: these health care providers may be paid for their services at discounted or negotiated payment rates.]

This program is not a workers' compensation managed care plan certified by the Minnesota Department of Labor and Industry under Minn. Stat. section 176.1351. Therefore, the employer or insurer may not require an employee to receive treatment for a work injury from any health care provider within this network.

MINNESOTA WORKERS' COMPENSATION RATE CHANGE IMPACT TABLE

Average Change =

Code No.	Proposed Rate	Current Rate	% Change in Rate
2731	4.78	6.39	-25.20%
4777	22.27	23.15	-3.80%
4902	5.31	4.24	+25.24%
4923	3.44	3.07	+12.05%
5000	159.62	153.06	+4.29%
5020	20.63	18.53	+11.33%

SAMPLE

SAMPLE DEVELOPMENT OF PURE PREMIUM MULTIPLIER

A. LOSS RELATED ITEMS

1. Loss cost modification factor	1.000	
2. 8th-to-ultimate development factor	1.129	
3. Trend factor	1.068	
4. Loss adjustment expense	0.230	
5. Special Compensation Fund	0.170	
6. Loss factor $(A1 \times A2 \times A3 \times (1 + A4 + A5))$		1.688

B. PREMIUM-RELATED EXPENSES AND PROFIT

7. Commission and brokerage	0.063	
8. Other acquisition	0.055	
9. General expenses	0.070	
10. Taxes, licenses & fees		
a. Premium taxes	0.020	
b. Guaranty fund	0.005	
c. Other	0.005	
11. Total premium-related expenses (sum of B7 through B10)	0.218	
12. Profit & contingencies	0.060	
13. Credit for investment income	-0.160	
14. Total premium-related expense & profit (B11+B12+B13)	0.118	
15. Expected loss ratio $(1.0 - B14)$		0.882

C. FORMULA LOSS COST MULTIPLIER $(A6 / B15)$ 1.914

D. SELECTED LOSS COST MULTIPLIER _____

**MINNESOTA WORKER'S COMPENSATION
AVERAGE EFFECTIVE MULTIPLIER CALCULATION**

This form must be completed by any company that deviates its multiplier for one or more classes or that does not include a charge for the Special Compensation Fund (SCF) in its multiplier

(1) code number	(2) current pure premium multiplier	(3) proposed pure premium multiplier	(4) SCF charge if not already included in (3) (% of pure prem)	(5) adjusted pure prem multiplier [(3)+(4)]	(6) prior year written premium	(7) relative exposure [(6)/(2)]	(8) relative proposed premium [(7)x(5)]
2731	1.600	1.550	0	1.550	1500	938	1453
4777	1.600	1.450	0	1.450	23100	14438	20934
4902	1.500	1.450	0	1.450	0	0	0
4923	1.500	1.450	0	1.450	42000	28000	40600
5000	1.600	1.550	0	1.550	155000	96875	150156
5020	1.600	1.550	0	1.550	10000	6250	9688
Total						146500	222831
Average effective pure premium multiplier [(8) total / (7) total]							1.521

SAMPLE